

TESTIMONY AND PROCEEDINGS

UNITED STATES OF AMERICA v. DON E. SIEGELMAN, ET AL.

May 9, 2006

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THE UNITED STATES DISTRICT COURT
FOR THE MIDDLE DISTRICT OF ALABAMA
NORTHERN DIVISION

UNITED STATES OF AMERICA,

vs.

CASE NO: 2:05cr119-F

DON EUGENE SIEGELMAN,
RICHARD M. SCRUSHY,
PAUL MICHAEL HAMRICK,
and GARY MACK ROBERTS,

Defendants.

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EXCERPTS OF TRIAL PROCEEDINGS

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TESTIMONY AND PROCEEDINGS before The
Honorable Mark E. Fuller, United States District
Judge, and a jury, at the United States Federal
Courthouse, One Church Street, Montgomery,
Alabama, reported by Dee Coker, Registered
Professional Reporter and Commissioner for the
State of Alabama, commencing on Tuesday, May 9,
2006, commencing at 8:41 a.m.

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1 last name for the record, please?
 2 A. M-C-capital G-A-H-A-N.
 3 Q. How old are you, Mr. McGahan?
 4 A. 44 years old.
 5 Q. And where do you live?
 6 A. Currently live in Hawaii.
 7 Q. Where were you born?
 8 A. I was born in New York.
 9 Q. And where did you grow up?
 10 A. I attended high school in Atlanta, Georgia.
 11 Q. What do you do for a living, Mr. McGahan?
 12 A. I work in commercial real estate.
 13 Q. Have you always worked in commercial real
 14 estate?
 15 A. No, sir.
 16 Q. How long have you worked in commercial real
 17 estate? And then tell us what you were doing
 18 prior to that.
 19 A. I worked in commercial real estate for
 20 approximately a year and a half. And prior
 21 to that, I was unemployed for a time; but
 22 prior to that, I worked as an investment
 23 banker.

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1 Q. Would you give us a time frame, when you
 2 worked as an investment banker, for how long
 3 you did that particular activity?
 4 A. From approximately 1989 to May of 2003.
 5 Q. Did you work as an investment banker in one
 6 location or with one company during that time
 7 period, or were there several different
 8 companies that you worked for?
 9 A. For two companies, both of which changed
 10 their names a couple of different times.
 11 Q. Give us the layman's version of what an
 12 investment banker does.
 13 A. An investment banker provides services to
 14 companies and assists them in raising capital
 15 and in mergers and acquisitions advice.
 16 Q. Okay. And what training, schooling have you
 17 had that prepared you to perform that
 18 particular job?
 19 A. I earned an undergraduate degree in economics
 20 and a master's in business administration.
 21 Q. Where did you get those degrees?
 22 A. My undergraduate degree was at Southern
 23 Methodist University, and my master's degree

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1 was at the University of Virginia.
 2 Q. When did you finish or complete your master's
 3 requirements?
 4 A. 1989.
 5 Q. So you went to work as an investment banker
 6 shortly after completing your requirements
 7 for your master's degree?
 8 A. Yes, sir.
 9 Q. Where did you go to work first in 1989?
 10 A. I worked at a company called Smith, Barney,
 11 Harris, Upham & Company, which later became
 12 part of a company called Citi Group.
 13 Q. And you were with them for how long? From
 14 1989 until when?
 15 A. Till March of 1999.
 16 Q. During the time you were at -- can I call
 17 them Smith Barney? Because that's what I'm
 18 familiar with.
 19 A. Yes, sir.
 20 Q. Okay. During the time you were with Smith
 21 Barney, did you develop a relationship -- a
 22 professional relationship with a company
 23 called HealthSouth?

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1 A. Yes, sir.
 2 Q. When did you first develop that
 3 relationship? And tell us what kind of
 4 things you did for HealthSouth.
 5 A. I first met HealthSouth in approximately
 6 1993. And I worked with other people at my
 7 company in assisting the company with mergers
 8 and capital markets activities.
 9 Q. So from 1989 to 1993, did your
 10 responsibilities kind of grow and your
 11 position kind of grow at that time?
 12 A. Over that time period, it did, yes.
 13 Q. And how would you describe your relationship
 14 with HealthSouth from 1993 up until 1999,
 15 when you left Smith Barney?
 16 A. Well, in 1993, I was a more junior person in
 17 the organization, and there was senior people
 18 that worked with me and with companies on our
 19 transactions. And then as I became more
 20 senior in the company, I became a coverage
 21 officer and had primary coverage
 22 responsibilities for calling on companies
 23 like HealthSouth.

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1 Q. When you say coverage responsibilities, tell
2 us what you mean by that.
3 A. It means it was my job to -- as a coverage
4 officer for companies, to try to understand
5 what their investment banking services or
6 needs were and then try to work within our
7 company to try to make sure we were trying to
8 provide those needs to companies.
9 Q. Now, in I believe you said March of 1999, you
10 changed companies?
11 A. Yes, sir.
12 Q. Where did you go from Smith Barney or Citi
13 Group? Where you did go next?
14 A. I went to a company which is now called UBS.
15 Q. And was UBS a newly formed company, or was it
16 a company that had been in existence for a
17 while?
18 A. It had been in existence for a while.
19 Q. In terms of size, how would UBS compare to
20 Smith Barney or Citi Group at that time?
21 A. At that time, Citi Group was an established
22 player in the investment banking business.
23 And UBS was a company, which was smaller, had

1 to UBS?
2 A. Well, HealthSouth was a health care service
3 company. It was one of the larger companies
4 in the United States providing outpatient
5 health care services. And when I moved to
6 UBS, my job was to do the same thing that I
7 did before, which was to try to call on
8 companies and provide investment banking
9 services. So one of the things that I did
10 was, after I moved, to call them and let them
11 know about my new company and where -- where
12 I had landed.
13 Q. And did you develop a relationship with
14 HealthSouth at your new company?
15 A. Yes, we did.
16 Q. Do you know Richard Scrushy?
17 A. I do.
18 Q. And have you had dealings with him over the
19 time that you've been representing
20 HealthSouth as an investment banker?
21 A. When I was an investment banker, yes.
22 Q. Okay. And the same question for Mike
23 Martin.

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1 less capabilities, but was attempting to
2 grow.
3 Q. Did you consider your move from Smith
4 Barney-Citi Group to UBS as a -- I don't want
5 to call it a promotion, but a step up?
6 A. I considered it -- I was going to be doing
7 the same sorts of things at UBS that I was
8 going to be doing at Citi Group, but we were
9 going to be -- or I was going to be working
10 at a firm which didn't have the track record
11 of Citi Group. So -- so I was -- it was
12 really a lateral move in the same industry.
13 Q. What about opportunity-wise? Did it present
14 a better opportunity for you and your family
15 to accept that position at UBS?
16 A. It did. It provided me with a place I
17 thought that could better help me serve our
18 clients and also help -- you know, help give
19 me more certainty about my role in the
20 organization.
21 Q. Now, what was your relationship like with
22 HealthSouth during the time period that you
23 were making the transition from Smith Barney

1 A. I knew Mike Martin, yes, when I was an
2 investment banker.
3 Q. What was Mr. Scrushy's title at HealthSouth
4 when you knew him?
5 A. He was the chairman and chief executive
6 officer of HealthSouth.
7 Q. And Mr. Mike Martin, what was his title?
8 A. He had a couple of titles, but he ultimately
9 became the chief financial officer at
10 HealthSouth.
11 Q. Who did you have more dealings with, Richard
12 Scrushy or Mike Martin?
13 A. I had more dealings with Mr. Martin.
14 Q. Did you have any personal one-on-one contact
15 with Mr. Scrushy during the time that you
16 were working as an investment banker?
17 A. Yes, I did.
18 Q. Let me direct your attention to 1999 and ask
19 you did at some point you receive a call
20 requesting a donation for an entity in
21 Alabama?
22 A. Yes, I --
23 MR. LEACH: Judge, I would ask that the